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Report on the activities of the Office of Internal Oversight Services

Activities of the Office of Internal Oversight Services for the period from 1 July 2013 to 30 June 2014**

Report of the Office of Internal Oversight Services

Summary

The present report is submitted in conformity with General Assembly resolutions 48/218 B (para. 5 (e)), 54/244 (paras. 4 and 5), 59/272 (paras. 1-3) and 64/263 (para. 1). During the reporting period, from 1 July 2013 to 30 June 2014, the Office of Internal Oversight Services (OIOS) issued 326 oversight reports, including 5 reports to the General Assembly and 92 closure reports. The reports included 936 recommendations to improve internal controls, accountability mechanisms and organizational efficiency and effectiveness, of which 45 were classified as critical to the Organization. The financial implications of the recommendations issued by the Office during the period amount to approximately $13.8 million. The recommendations were aimed at cost savings, recovery of overpayments, efficiency gains and other improvements. The financial implications of recommendations issued in prior periods that were satisfactorily implemented during the period totalled approximately $2.4 million. The addendum to the present report provides a detailed analysis of the status of implementation of the recommendations, a breakdown of recommendations with financial implications and a complete list of all reports issued for all areas of OIOS work, including those relating to peacekeeping activities.

The present report (part I) does not cover oversight results pertaining to peacekeeping operations and special political missions, as they will be submitted to the Assembly in part II of the report during the resumed sixty-ninth session.

* A/69/150.

** Excluding oversight of peacekeeping activities, which will be reported on in document A/69/308 (Part II).

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Preface

I am pleased to present the annual report on the non-peacekeeping activities of the Office of Internal Oversight Services (OIOS) for the period from 1 July 2013 to 30 June 2014. During this period, 168 reports on non-peacekeeping activities were issued, including 89 internal audit reports, 4 evaluation reports and 75 investigation reports. A number of these reports focused on areas of particular strategic interest to the Organization, including Umoja and the International Public Sector Accounting Standards (IPSAS) implementations. Others represent significant advancements in the proactive investigation of fraud committed against the Organization by external parties. Another introduced evaluation scorecards to clearly outline the strengths and weaknesses of self-evaluation activities in the Organization. This work represents a culmination of the efforts of all OIOS staff members who are rightfully proud of our contribution towards improving the operations of the United Nations Secretariat and the agencies we serve.

This year on 29 July 2014, OIOS marked the twentieth anniversary since its inception through adoption by the General Assembly of its founding mandate resolution 48/218 B.

Although minor adjustments have been made over time, the basic key objective remains: to support the Secretary-General in his oversight responsibilities. A number of events and publications to celebrate this anniversary and the difference we make have taken place and are planned throughout 2014.

Internally, OIOS has implemented improvements in all divisions to help focus our work and improve accountability for our own resources. They include:

- Updating operating procedures and manuals
- Articulating programme impact pathways
- Setting performance indicators for managing key activities
- Assessing our own risks using Enterprise Risk Management (ERM)

In addition, OIOS is revising its risk-based planning process to leverage the results of the Organization-wide risk registers recently developed under the leadership of the Department of Management and the Management Committee in the context of implementing ERM. This will improve our ability to focus on strategic risks.

We acknowledge with thanks the support of the Secretary-General and senior management in accomplishing these results.

(*Signed*) Carman L. **Lapointe**
Under-Secretary-General for Internal Oversight Services

I. Introduction

1. The Office of Internal Oversight Services (OIOS) was established by the General Assembly pursuant to resolution 48/218 B to enhance oversight in the Organization. It is operationally independent, and assists the Secretary-General in fulfilling his internal oversight responsibilities in respect of resources and staff of the Organization through investigations, internal audit and inspection and evaluation activities.

2. The present report provides an overview of OIOS activities during the period from 1 July 2013 to 30 June 2014, but does not include oversight results pertaining to the Department of Peacekeeping Operations, the Department of Field Support or the peacekeeping and special political missions, which will be submitted to the General Assembly in part II of the report during the resumed part of the sixty-ninth session. An addendum to the present report provides a detailed analysis of the status of implementation of the recommendations, a breakdown of recommendations with financial implications and a complete list of all reports issued for all areas of OIOS work, including those relating to peacekeeping activities.

II. Professional initiatives

A. Efforts to strengthen the functioning of the Office of Internal Oversight Services

3. OIOS aims to carry out its work with the highest standards of professionalism and efficiency. The present section highlights some initiatives undertaken during the reporting period to achieve this goal.

Programme impact pathways

4. In 2013 OIOS launched an initiative to develop programme impact pathways to complement the Office's strategic framework and sharpen the focus of OIOS on results. Similar to a logical framework, the pathways provide a visual road map of inputs, activities, outputs, outcomes and impact and the causal relationships among these elements. Each division has developed its own programme impact pathway and accompanying indicators, which are monitored on a regular basis and published in the quarterly reports of OIOS.

Internal Audit Division

5. As part of its efforts to continue improving its processes and services in accordance with the Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing, the Internal Audit Division has implemented a robust quality assurance and improvement programme. It is designed to provide reasonable assurance to the various stakeholders that the Internal Audit Division: (a) performs its work according to the International Standards; (b) operates in an effective and efficient manner; and (c) is perceived by stakeholders as adding value and improving operations.

6. The Internal Audit Division is undertaking a review and revision of the Internal Audit Manual to include recent changes to the Standards and internal

procedures to make it more accessible to audit staff, resulting in higher levels of compliance and utility.

7. As recommended by the Independent Audit Advisory Committee (IAAC), the Internal Audit Division has established a number of performance metrics not only to ensure that it delivers on its mandate, strategy and goals, but also to enhance internal control over audit processes and to measure the outcome and impact of its activities on the Organization. The newly adopted system is being implemented in 2014, and measures performance under four perspectives: internal audit processes, management, audit committee, and staff.

Inspection and Evaluation Division

8. During the reporting period, the Inspection and Evaluation Division updated the Inspection and Evaluation Manual, first published in 2008, to reflect key advances and lessons learned and good practice. On a technical level, it includes many new areas of guidance, internal and external resources and a more interactive and user-friendly format. On a strategic level, the manual provides guidance to help the Division achieve high quality and credibility of evaluations. In addition, although the Inspection and Evaluation Division staff remains the manual's primary audience, it is now also geared towards its secondary audience, United Nations Secretariat evaluation colleagues and programme managers to strengthen also the self-evaluation functions in the Secretariat as well.

9. The Inspection and Evaluation Division also expanded its evaluation capacity development programme, initiated early in 2013. Monthly "Brown Bag Lunches" featured high-level speakers from inside and outside the Inspection and Evaluation Division and the United Nations, addressing topics ranging from evaluation techniques to managerial decision-making useful for evaluators. More than 20 hours of technical training on evaluation methodology and technique were also delivered during the period, benefiting from access to world-renowned technical experts. In addition to staff of the Inspection and Evaluation Division, more than 70 participants from 15 Secretariat entities participated in these events. These initiatives were welcomed by the Management Committee.

Investigations Division

10. In January 2014, the Professional Practices Section became the Operational Standards and Support Section with expanded terms of reference. The Section consists of the Intake, Analysis and Research Team and the Policy and Legal Support Team. The reconfiguration of the Section coincided with a streamlining of the report review process, with each of the three Investigations Division Deputy Directors now being directly accountable for the quality of the outputs produced by their teams. The main function of the Section is to provide support to the Director and regional offices through the Intake, Analysis and Research Team and the Policy and Legal Support Team. This includes overseeing the intake process, conducting advanced jurisdictional and programmatic research, acting as the focal point for the collection of best practices and lessons learned, formulating guidance and procedures, providing support to senior management for reporting purposes, conducting ad hoc and sample quality reviews and advising Deputy Directors and investigators on operational issues.

11. During the reporting period, the Investigations Division continued its efforts to help strengthen the investigation functions within the Secretariat. The Division developed and delivered a Prohibited Conduct Investigations Training Course and an Investigators Training Course. The five-day Prohibited Conduct Investigations Training Course is designed to equip non-investigator staff members with skills to enable them to participate in lay panels to examine reports of prohibited conduct under Secretary-General's bulletin ST/SGB/2008/5. The Division has delivered five such courses in Vienna, New York and Entebbe, with 96 participants; an additional bilingual course is planned for Geneva.

12. The more intensive two-week Investigators Training Course was delivered in Entebbe in September 2013, attended by 24 investigators from field security sections. The course involved interactive presentation of the theories, concepts and approaches relevant to administrative investigations and to the standards expected by the Tribunals. Following evaluation of the course, it has been further enhanced into a three-week programme, next scheduled for September 2014 for participants from Headquarters, offices away from Headquarters, and the field. The enhanced three-week course will be formalized as the Secretariat Investigator Standard Training Course, prerequisite for conducting higher priority investigations in conformity with the operating norms of the Investigations Division.

B. Cooperation and coordination

13. OIOS coordinates regularly with other United Nations oversight entities, including the Board of Auditors and the Joint Inspection Unit, to ensure that gaps, duplication and overlap in oversight work are minimized. Aside from sharing workplans, OIOS holds bimonthly meetings with the Board of Auditors and ad hoc meetings with the Joint Inspection Unit to discuss progress and issues of mutual interest. A tripartite meeting is held annually to address oversight and coordination issues.

14. OIOS recognizes the value and importance of fostering relationships with its functional peers. During the reporting period, OIOS professionals actively participated in their respective professional networks, as described below.

(a) The Internal Audit Division contributes actively to the work of the Representatives of Internal Audit Services of the United Nations Organizations and Multilateral Financial Institutions. In September 2013, OIOS made a presentation on innovations on recommendation follow-up and assurance opinions.

(b) During the 14th Conference of International Investigators in September 2013, the Investigations Division contributed to two sessions: rights and obligations during fact-finding investigations, and the conduct of retaliation investigations. In addition, OIOS has contributed to the formation of a formal network of the United Nations Representatives of Investigations Services. The first annual face-to-face meeting of the United Nations Representatives of Investigations Services will take place in conjunction with the 15th Conference of International Investigators being hosted by the European Anti-Fraud, OLAF, in October 2014.

(c) The Inspection and Evaluation Division has played a key role in the United Nations Evaluation Group (UNEG), with the Inspection and Evaluation Division Director serving as its Chair during a two-year period of strategic focus

and reform. The Inspection and Evaluation Division staff has also served on a number of specialized committees and task forces of the Group. OIOS has through these efforts contributed to improving evaluation practices, especially given its importance and relevance in the post-2015 development agenda.

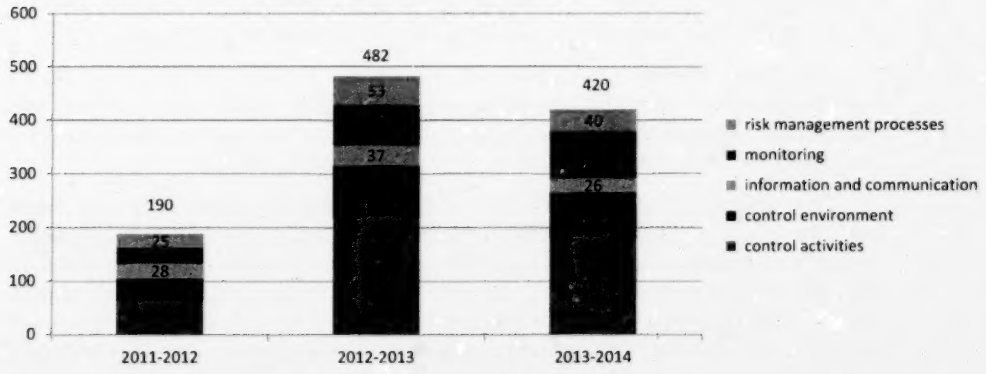
III. Impediments to the work of the Office of Internal Oversight Services

15. There was no inappropriate limitation of scope that impeded the work or independence of OIOS during the reporting period. However, it is becoming increasingly difficult to balance internal oversight requirements with the 16 separate funding sources for OIOS resources, particularly with respect to extrabudgetary-funded operations. OIOS is therefore currently conducting a full review of its funding arrangements, including their sufficiency and potential impacts on operational independence.

IV. Internal audit risk trend analysis

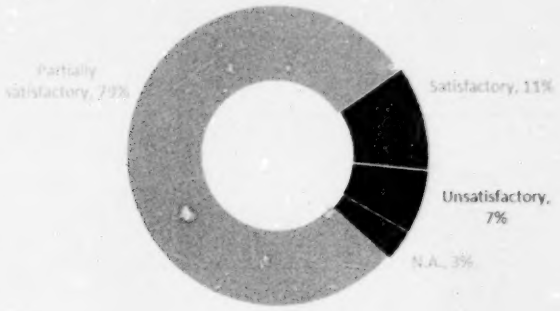
16. Audit recommendations were classified using the five integrated components of internal control: control environment, risk assessment, control activities, information and communication, and monitoring, as shown in figure I below for the past three years. In each of these years, the bulk of the recommendations related to the control activities component. Control activities are actions established by management to mitigate risks to achieving objectives. They vary by business process, but include such actions as developing acquisition plans, performing physical inventory counts and bank reconciliations, and carrying out account-closing procedures.

Figure I
Audit recommendations by control component



17. Figure II shows the distribution of overall ratings for 89 internal audit reports issued during the reporting period (excluding peacekeeping-related reports).

Figure II
Distribution of audit ratings,[a] 1 July 2013-30 June 2014

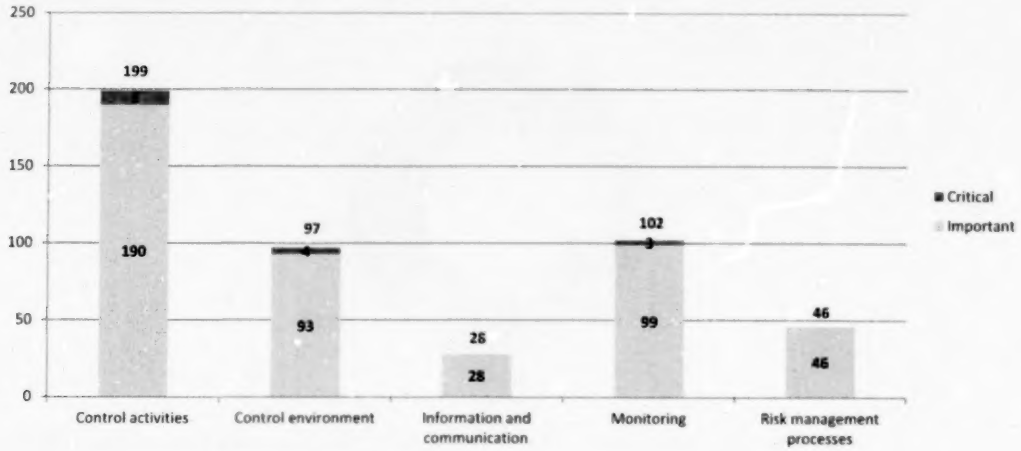


[a] Definitions for rating are as follows: "**Satisfactory**" that governance, risk management, and control processes are adequately designed and operating effectively to provide reasonable assurance regarding the achievement of control and or business objectives under review; "**Partially satisfactory**" means that important (but not critical or pervasive) deficiencies exist in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review; "**Unsatisfactory**" means that one or more significant and/or pervasive important deficiencies exist in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review.

18. Figure III shows the distribution of *critical* versus *important* [1] audit recommendations issued during the reporting period by control component. Specific information on all reports issued during the reporting period, including overall opinion ratings and the number of critical and important recommendations issued, can be found in the addendum to the present report. Full audit reports are published on the OIOS website.

[1] Definitions of recommendations include: "Critical" recommendations address significant and/or pervasive deficiencies or weaknesses in governance, risk management or internal control processes such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review; "Important" recommendations address reportable deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

Figure III
Audit recommendations on non-peacekeeping activities by control component, 1 July 2013-30 June 2014



V. Oversight results

19. This section provides selected oversight results for the period under review.

A. Internal Audit Division

Critical audit results by control component[2]

(a) Control environment

Audit of Office of the United Nations High Commissioner for Refugees operations in Mozambique (AR2013/113/05)

20. Office of the United Nations High Commissioner for Refugees (UNHCR) representation in Mozambique could not locate payment vouchers supporting expenditures in the amount of approximately $1.7 million. In addition, administrative and finance staff were performing incompatible functions. This exposed UNHCR to the risk of potential fraud, undetected waste, and the absence of accurate operational and financial data. OIOS recommended that UNHCR should locate the missing vouchers and ensure appropriate training for staff with administrative and finance functions. OIOS also recommended that UNHCR dedicate sufficient resources to the processing of payments and ensure appropriate segregation of duties; and put procedures in place for ensuring that processed payment vouchers are filed with their original supporting documents. UNHCR accepted the recommendations and was taking action to address the identified weaknesses.

[2] Critical recommendations result in "unsatisfactory" overall audit ratings. Pervasive important recommendations may also result in "unsatisfactory" overall audit ratings.

Audit of the implementation of the Murex system in the Investment Management Division of the United Nations Joint Staff Pension Fund (AT2013/801/01)

21. There were significant weaknesses in the implementation of Murex, a portfolio accounting and reconciliation system in the Investment Management Division of the United Nations Joint Staff Pension Fund (UNJSPF), initially budgeted at a cost of $3.9 million. Inadequate project management resulted in implementation delays and cost overruns. As a result, implementation of Murex was suspended. OIOS recommended that the Investment Management Division should document: (a) roles, responsibilities, and updated terms of reference of the governing bodies of the project; (b) governance mechanisms; (c) requirements and expected deliverables of the Murex system; (d) risk management plan; (e) change and quality controls; and (f) benefit realization plan with complete information on the expected benefits and costs, and the criteria for their evaluation.

22. In the same audit, changes to the scope of the Murex system had not been documented and justified, with corresponding updates on resources, timelines, expected impact, benefits, and costs. As a result, the Investment Management Division operated a partially automated trade processing system with manual reconciliations, reports, and analysis of exceptions. This condition limited the ability of the Investment Management Division to identify and address exceptions in the early stages of the trade processing life cycle, increasing its exposure to operational risks. OIOS recommended that the Investment Management Division develop planning and control mechanisms including detailed reports to monitor the implementation of the Murex project against timelines, with process and resource dependencies; and design and implement adequate compensating controls to operate the partially automated trade processing system with manual reconciliations, reports, and analysis of exceptions.

23. The Investment Management Division accepted the recommendations and suspended the Murex project pending the completion and results of an Investment Management Division Information Architecture and IT Infrastructure Assessment. It is expected that the request for proposals for the assessment will be completed in the third quarter of 2014.

Audit of the planning, delivery and monitoring of the information system services provided by the Division of Information Systems and Telecommunications in the Office of the United Nations High Commissioner for Refugees (AR2013/166/01)

24. Implementation of the connect and collaborate project did not follow the established Information and Communications Technology project management process. For example, the ICT Governance Board did not periodically monitor the project status; and the ICT Project Management Office did not carry out the required reviews of the project. In addition, the project manager had no access to project financial data or an overview of the budget levels, which hindered the effective management of available resources for project management support functions. As a result, the connect and collaborate project was marked by significant time and cost overruns and had only 12, out of about 300, sites completed by the target date of 31 December 2013. OIOS recommended that UNHCR should establish appropriate governance arrangements for the project consistent with the project management governance policies and practices. UNHCR accepted the recommendation and stated that governance arrangements for the connect and collaborate project had been

established and that the Project Steering Committee and monthly project reviews had been re-established.

(b) Control activities

Audit of Office of the United Nations High Commissioner for Refugees operations in Mozambique (AR2013/113/05)

25. Bank reconciliations were not performed accurately or in a timely manner. As a result, approximately $183,000 of offline payments in UNHCR representation in Mozambique were not detected and reconciled in a timely manner. OIOS recommended completing bank reconciliations for prior periods, developing an action plan to ensure that bank reconciliations are prepared on a monthly basis, and enhancing supervisory review of bank reconciliations. UNHCR accepted the recommendation and stated that bank reconciliations for prior periods were being finalized and that oversight had been established to ensure accurate monthly bank reconciliations.

Audit of the preparedness of information and communications technology applications supporting the implementation of the International Public Sector Accounting Standards (AT2012/510/01)

26. The delivery principle in IPSAS requires the recognition of expenses once the goods or services have been received, as opposed to the time of receipt of an invoice or payment in cash. System changes were being considered in addition to procedural changes that will be introduced to the timing of the recording of goods and services received. However, no decision had been made on the extraction methodology to be used for uploading the captured data, risking a lack of data integrity. OIOS recommended that the Office of Programme Planning, Budget and Accounts determine the system changes and methodology for extracting the data required for complying with the IPSAS "delivery principle". That Office accepted and implemented the recommendation.

27. In the same audit, the Secretariat did not have an adequate system for storing and processing data pertaining to real estate assets to meet the IPSAS requirements. The data resided across the Organization, in various formats, ranging from paper records to stand-alone ICT applications. OIOS recommended that the Office should provide technical guidance and assistance on how to gather, cleanse and prepare IPSAS-compliant data of real estate assets and ensure that its availability is in alignment with the IPSAS implementation timeline. The Office of Programme Planning, Budget and Accounts accepted the recommendation, and a web-based tool was designed to facilitate the collection of real estate information to be migrated to Umoja. In addition, the Office issued technical guidance to the missions and conducted workshops on the use of this tool to support opening balances.

28. Also, IPSAS-related change requirements for ICT applications across the Secretariat were not adequately identified and some offices did not receive sufficient information about the changes to be made to their local applications. Therefore, there was an increased risk that ICT applications may not be ready by the established deadline, affecting the successful implementation of IPSAS. OIOS recommended that the Office of Programme Planning, Budget and Accounts ensure that ICT preparedness activities across the Secretariat are in alignment with the

IPSAS timeline and put in place mitigating controls to avoid delays. The Office of Programme Planning, Budget and Accounts accepted the recommendation, took action to track the important changes in ICT using a project management tool, and reported to the Steering Committee.

29. Additionally, the transition plan prepared by the Office of Programme Planning, Budget and Accounts did not include all ICT applications across the Secretariat that would require changes to support the preparation of IPSAS-compliant financial reports, limiting the ability to capture and process IPSAS data across various offices. OIOS recommended that the Office of Programme Planning, Budget and Accounts should: (a) complete the identification of ICT applications providing key data relevant for the preparation of the IPSAS opening balances; (b) map key data sources, flows and applications; (c) assess the quality of existing data; and (d) define the procedures for capturing the financial data associated with IPSAS implementation across the Organization. The Office of Programme Planning, Budget and Accounts accepted and implemented the recommendation.

(c) Monitoring

Audit of Office of the United Nations High Commissioner for Refugees operations in Afghanistan (AR2013/141/03)

30. Owing to inadequate performance monitoring of implementing partners, UNHCR was unable to identify and address project management issues as well as non-compliance with established rules. For example, one implementing partner did not deliver the agreed outputs for a project costing $3.1 million, while another implementing partner exceeded the approved travel budget by approximately half, which was not identified during performance monitoring. OIOS recommended enhancing oversight and implementing procedures for periodic review and monitoring to ensure that agreed project deliverables are provided by implementing partners. OIOS also recommended that UNHCR should: (a) undertake a review of the project implemented by the partner to ascertain the extent to which project objectives were achieved and whether value for money was obtained; and (b) review payments made to the partner, in the context of the deliverables actually provided, and recover any payments that are considered to be excessive. UNHCR accepted the recommendations and stated that a number of measures had been taken to improve performance monitoring, including increased supervisory oversight and adoption of standard operating procedures. UNHCR explained that while all agreed project deliverables were not provided, UNHCR was of the view that the project provided valuable insight into the socioeconomic conditions of returning refugees and helped in guiding protection and programme interventions. UNHCR further stated that in their assessment, $291,075 had been overpaid to the partner for which recovery was initiated.

31. In addition, arrangements for financial monitoring of implementing partners were unsatisfactory as UNHCR offices did not prepare an annual monitoring and reporting plan in agreement with implementing partners; indicate the extent of monitoring and accounting checks conducted; and ensure that implementing partners took timely remedial action to rectify shortcomings identified by project control teams. As a result, the quality and standard of verification reports was inadequate, exposing UNHCR to overcharges and irregular transactions. OIOS

recommended that UNHCR should assign trained staff with appropriate skills to ensure proper financial verification of partners and strengthen arrangements for project control through the adoption of standard operating procedures. UNHCR accepted the recommendation and developed standard operating procedures to strengthen arrangements for financial verification and was in the process of assigning and training staff to conduct financial verifications.

Audit of the implementation of the Murex system in the Investment Management Division of the United Nations Joint Staff Pension Fund (AT2013/801/01)

32. The Investment Management Division did not adequately monitor the project budget for implementation of the Murex system. Project costs and budget appropriations were not consistently reported. There was no alignment between the project plan and the budget. As a result, approximately $576,000 in Murex licence fees and other implementation costs incurred in 2013 for additional services requested from the software vendor and other consultants were not accounted for and reported. OIOS recommended that the Division should implement adequate mechanisms for monitoring the budget appropriations and expenditures of the Murex project in a consistent, detailed and timely manner; and submit exception reports to the Steering Committee to ensure that expenditures are within budgetary allocations, and that any deviation is identified and reported in a timely manner. The Division accepted the recommendation and stated that the Murex project was suspended pending the completion and results of the Investment Management Division Information Architecture and IT Infrastructure Assessment.

B. Inspection and Evaluation Division

33. During the reporting period, the Inspection and Evaluation Division issued five non-peacekeeping reports. Highlights from some of those reports are provided below.

United Nations Secretariat Evaluation Scorecards 2010-2011(IED-13-006)

34. The Inspection and Evaluation Division issued the first in what will be a regular series of evaluation scorecards to complement the biennial report on "Strengthening the role of evaluation and the application of evaluation findings in programme design, delivery and policy directives", the most recent of which was submitted at the fifty-third session of the Committee for Programme and Coordination in June 2013 (A/68/70). These scorecards provide a candid assessment of evaluation capacity and practice of every entity in the Secretariat for the 2010-2011 biennium. In line with the results from the biennial report, these evaluation scorecards clearly indicate that the evaluation function in the Secretariat is still not adequate. Critical gaps must be addressed for evaluation to contribute to strengthening of organizational performance. Furthermore, there is a clear need for greater support to and guidance for self-evaluation. OIOS has introduced several new initiatives in this regard.

Programme evaluation of the United Nations Department of Safety and Security systems for information management and analysis (IED-14-003)

35. The operations of the Department of Safety and Security are grounded in the collection, analysis, synthesis and dissemination of safety and security information, the quality of which is essential to developing appropriate security measures to mitigate threats. OIOS commended the Department for the significant strides it has made since 2008 to strengthen and bolster its systems for information and analysis. However, there were gaps where further improvement was needed. OIOS made three important recommendations, which the Department accepted to strengthen its analytical capacity, conduct systematic user-feedback surveys to better consider the needs of users, and revisit current United Nations Security Managers Information Network access standards to ensure adequate access.

Programme Evaluation of the Economic Commission for Africa (IED-14-002)

36. The Inspection Evaluation Division focused on research and analysis work, of the Economic Commission for Africa (ECA) and the enabling role of its statistical work. OIOS determined that ECA is recognized as a pre-eminent continent-wide platform for consensus-building. Through its research and analysis work, ECA has facilitated Member States' decisions in a number of development arenas at the regional level, although there was limited evidence on how ECA's research and analysis influenced policy formulation, primarily because ECA lacked a systematic framework to track such influence. OIOS recommended that ECA operationalize its new communication and dissemination strategy for its research and analysis work, to guide divisions/offices in identifying target audiences and keep tabs on its publications' reach and use. OIOS also made four further important recommendations related to the implementation of ECA new business strategies adopted as part of the restructuring exercise that it had initiated in 2012; including that it better define the scope and content of its country profile analysis and engagement strategy vis-à-vis the national statistics offices and other organizations that deal with statistics in the region; and that it further strengthen its monitoring and evaluation capacities. As part of the restructuring initiated by ECA, the Business Strategies that are currently under implementation include: partnerships, capacity development, knowledge management, IT, communication, data management, country profiles, a Management Performance Dashboard and the staffing of the monitoring and evaluation section.

C. Investigations Division

37. From 1 July 2013 to 30 June 2014, 155 matters pertaining to non-peacekeeping operations were reported to the Investigations Division, comprising 35 per cent of all matters reported to it. Following evaluation by the Intake Committee, 40 matters were assigned internally for OIOS investigation, 36 were referred to other departments/offices, 17 were filed for information, 61 were placed in suspense and 1 resulted in no further action.

38. Table 1 shows the categories of the 40 matters predicated for internal OIOS investigation during the period and for the 36 referrals.

Table 1
Predicated investigations and referrals by category, 1 July 2013-30 June 2014

Category	*Number of OIOS investigations*	*Percentage of OIOS investigations*	*Number of referrals*	*Percentage of referrals*
Financial	10	25	4	11
Inventory/assets	3	8	1	3
Management	3	8	9	25
Personnel	16	40	15	42
Procurement	6	15	4	11
Programmatic	1	3	2	5
Sexual exploitation and abuse	–	0	–	0
Sexual harassment	1	3	1	3
Total	**40**	**100**	**36**	**100**

Investigation reports issued during the reporting period

39. In total, 75 non-peacekeeping investigation reports were issued during the reporting period. In 26 of those reports, the allegations were substantiated, while in 49 they were not (see table 2).

Table 2
Non-peacekeeping investigation reports issued as at 30 June 2014

Category	*2010-2011*	*2011-2012*	*2012-2013*	*2013-2014*
Financial	7	8	51	37
Inventory/assets	3	1	3	1
Management	9	1	4	3
Personnel	14	8	12	21
Procurement	6	7	10	10
Programmatic	2	–	1	3
Sexual exploitation and abuse	1	1	1	–
Sexual harassment	1	1	–	–
Total	**43**	**27**	**82**	**75**

40. Highlights of some of the non-peacekeeping investigations completed during the reporting period are provided below. All substantiated cases have been referred to relevant management for consideration of appropriate action.

United Nations Office at Geneva (Case No. 0285/13)

41. OIOS investigated allegations that a staff member of the United Nations Office at Geneva was demonstrating favouritism in the award of contracts to a UNOG vendor, and that the staff member's son employed by a partner firm of the favoured vendor was identified. While the allegations of favouritism were not substantiated,

the undisclosed conflict of interest with the partner firm of the vendor had been substantiated.

United Nations Office at Geneva (Cases Nos. 0370/11 and 0478/12)

42. The Office of Internal Oversight Services substantiated allegations that two staff members at UNOG had assisted a staff member on a United Nations mandatory proficiency test. The staff members had advised Human Resources Management Section, UNOG, that the candidate had successfully passed the test, knowing that the candidate had not.

Economic Commission for Europe (Case No. 0532/12)

43. OIOS substantiated allegations of harassment and abuse of authority by a senior staff member. During the investigation, OIOS substantiated further harassment and/or abuse of authority by the same staff member against five other staff members of the Economic Commission for Europe.

Office for the Coordination of Humanitarian Affairs (Cases Nos. 507/12, 079/13 and 080/13)

44. Working in collaboration under a memorandum of understanding with the Risk Management Unit of the United Nations country team for Somalia, OIOS received reports of suspicious activities involving funding for humanitarian aid in Somalia. Funding was provided by the United Nations Common Humanitarian Fund through the Office for the Coordination of Humanitarian Affairs, (OCHA) which acts as the Managing Agent for the Fund in Somalia. The three non-governmental organizations involved engaged in fraudulent practices resulting in the diversion and misappropriation of significant proportions of project funds through production of false acquittal documentation, duplication of project outcomes and expenditures across multiple donor agencies, and/or deliberate overbudgeting and underimplementation. Referrals were made to other agencies affected.

Case 507/12

45. One NGO was engaged to implement 16 Common Humanitarian Fund-funded projects totalling US$ 5.4 million, of which OIOS examined 12 reportedly "completed" projects valued at US$ 2.94 million. Of this amount, US$ 2.31 million, or 79 per cent of the projects' value, was determined by OIOS to be either fraudulently claimed or unsupported. While 80 per cent of the project funding had been (routinely) disbursed up-front, based on an early advisory from OIOS, disbursement of the final 20 per cent had been suspended.

Case 079/13

46. A second NGO was engaged under three separate agreements with a total value of US$ 850,000, all of which was disbursed by OCHA. However, the NGO had fabricated most of the expenditure documentation and falsely represented the level of implementation to OCHA. OIOS established that US$ 619,918, representing 73 per cent of the total value of the agreements, was fraudulently claimed or remains unsubstantiated.

Case 0080/13

47. A third NGO was engaged to implement three separate projects, with a total value of US$ 804,575. Funding amounting to $428,038, equivalent to 80 per cent of the value of two projects, had been disbursed to the NGO by OCHA. The NGO had fabricated fraudulent invoices, receipts and other records totalling US$ 390,467, equivalent to 73 per cent of the two contracts' values and 91 per cent of the amounts disbursed. Significantly, the fraudulent claims related to the purchase of commodities and services intended for the provision of emergency relief related to the 2010-2012 famine, which claimed the lives of thousands of Somalis, half of whom were children.

48. As of 30 June 2014, one related case remains under active investigation. The case relates to 10 agreements between OCHA and an implementing partner, valued at approximately $3.6 million.

United Nations Environment Programme (Case No. 300/12)

49. While conducting investigations in respect of related matters, evidence pointed to contributions from other United Nations Environment Programme (UNEP) corporate partners provided in support of a UNEP Children and Youth programme that had not been recorded in UNEP accounts, and had not been used for their intended purpose. A staff member had instructed those payments, amounting to at least US$ 323,000, to be transmitted to a company with whom he had personal and business interests.

United Nations International Criminal Tribunal for Rwanda (Case No. 0407/11)

50. Reports were substantiated that a staff member of the Travel, Traffic and Air Operations Services at the International Criminal Tribunal for Rwanda in Arusha, United Republic of Tanzania, solicited and received gifts and favours from International Criminal Tribunal for Rwanda travel vendors.

VI. Mandated reporting requirements

A. Capital master plan

51. In accordance with General Assembly resolution 62/87, OIOS is responsible for reporting on the activities of the Capital Master Plan Audit Section. OIOS has two auditors assigned to auditing the capital master plan operations. The approach continues to be risk-based, which conforms to the audit approach adopted by the Internal Audit Division.

Audit of selected guaranteed maximum price contracts in the Office of the Capital Master Plan (AC2013/514/01, report 2014/015 dated 27 March 2014)

52. The audit covered three out of four guaranteed maximum price contracts for swing spaces: 305 East 46th Street, 380 Madison Avenue and North Lawn Conference Building.

53. The Office of the Capital Master Plan had established stringent controls with regard to the review of invoices, change orders, contingency and allowance usage to ensure compliance with the terms of guaranteed maximum price contracts. While

the overall mandate of moving staff to swing spaces was achieved on time, owing to pressure on the construction schedule, the related guaranteed maximum price contracts were negotiated and executed before the technical documentation from architects and engineers was finalized. Requirements from stakeholders including host country authorities, utility companies, Department of Safety and Security and other user departments had likewise not been finalized before guaranteed maximum price contracts were signed, and in some cases were changing during contract execution, resulting in multiple changes in design documentation and a high percentage of change orders.

54. The Office of the Capital Master Plan was able to draw lessons learned from the experience gained during the capital master plan project, some of which, being applicable to future capital projects, were included in the eleventh annual progress report on the implementation of the capital master plan. OIOS recommended development of a lessons learned register to record good practices and institutional knowledge to assist in managing future Secretariat capital projects. The Department of Management accepted the recommendation and stated that the Office of Central Support Services was mandated to be the repository of lessons learned from major construction projects.

B. Construction of additional office facilities at the Economic Commission for Africa in Addis Ababa and the United Nations Office at Nairobi

55. In accordance with General Assembly resolution 63/263, OIOS is responsible for reporting on the activities relating to construction of additional office facilities at the Economic Commission for Africa (ECA) in Addis Ababa and the United Nations Office at Nairobi.

Management of the construction of the new office facilities at the Economic Commission for Africa (AC2012/710/01, report 2013/079)

56. The audit addressed the risk of cost overruns and delays in the completion of the project. The construction was delayed by 22 months resulting in additional costs to the United Nations, estimated by ECA at $171,482 a month, caused by the poor performance of the contractor. The monthly workplans based on the master schedule were not achieved and the coordination of the construction activities by the contractor was unsatisfactory. The contractor failed to deliver material submittals for approval, such as sample and technical specification mock-ups, a month after signing the contract, causing months of project delays. ECA and the Office of Central Support Services at the Department of Management took steps to mitigate the inefficiencies of the contractor and increased oversight of project controls. OIOS recommended that ECA should evaluate the poor performance of the contractor and take appropriate action.

Audit of the management of the post-construction phase of the new office facility at the United Nations Office at Nairobi (AA2013/211/01, report 2014/007)

57. The audit examined the processes followed in the administrative and financial handover and closure of the projects, and included a review of the final accounts. The construction of the new office facility was substantially completed on time and

within budget. The United Nations Office at Nairobi prepared and maintained a detailed and comprehensive register of lessons learned and good practices that could be replicated in similar projects within the United Nations Office at Nairobi and across the Organization. The United Nations Office at Nairobi established adequate and appropriate processes for the administrative and financial handover and closure of the project. However, controls in relation to the construction of the car park and the administration of the post-installation activities of the solar photo-voltaic (p-v) system required strengthening. It was also necessary to undertake vendor performance evaluations to assess fulfilment of contractual obligations; strengthen project management processes, including oversight over the rectification of construction defects to facilitate timely closure of projects; and monitor compliance with the terms and conditions of the contract for maintenance, training of staff and guarantees for the solar p-v system.

C. United Nations Compensation Commission

58. In accordance with General Assembly resolutions 59/270 and 59/271, OIOS submits details of its oversight activities relating to the United Nations Compensation Commission in the reporting period.

59. The Compensation Commission was created in 1991 as a subsidiary organ of the Security Council to process claims and pay compensation for losses and damages suffered as a direct result of Iraq's invasion and occupation of Kuwait. Successful claimants are paid out of the Compensation Fund which receives 5 per cent of Iraqi oil export revenues.

60. As at the end of April 2014, the Compensation Commission had paid $45.5 billion out of the total of $52.4 billion in compensation awards, leaving an outstanding balance of $6.9 billion owing to the one remaining claim.

61. The Compensation Commission made available an amount of $50,000 per year for internal audit resources for 2013 and 2014. OIOS used those resources to undertake two audits at the Compensation Commission.

62. The report on the audit of the Compensation Commission claims payments for the period from September 2012 to October 2013 (AE2013/820/01) was issued in April 2014. OIOS assessed that the Compensation Commission continued to have effective arrangements in place to ensure that compensation awards were disbursed and that payment records were accurate, properly documented and in compliance with Governing Council decisions and United Nations Financial Regulations and Rules. In addition, reporting on programme and financial performance, including the receipt and monitoring of Compensation Fund revenues, continued to function as intended.

63. With the mandate under the Compensation Commission follow-up programme for environmental awards concluded by the Council in late 2013 and the outstanding compensation projected to be paid in full in late 2015, at the request of the Compensation Commission Secretariat, an audit of the Compensation Commission liquidation preparedness began in January 2014 and was still ongoing as at 30 June 2014.

Annex

Overview of mandated reporting requirements

The categories of information to be included in the annual reports of OIOS are set out as follows:

(a) Secretary-General's bulletin ST/SGB/273, para. 28:

(i) A description of significant problems, abuses and deficiencies and related OIOS recommendations;

(ii) Recommendations not approved by the Secretary-General;

(iii) Recommendations in previous reports on which corrective action has not been completed (see A/68/337 (Part I)/Add.1, where applicable);

(iv) Decision from a previous period revised by management;

(v) Recommendations on which agreement could not be reached with management or with regard to which requested information or assistance was refused (see A/68/337 (Part I)/Add.1, where applicable);

(vi) The value of cost savings recommended and amounts recovered (see A/68/337 (Part I)/Add.1);

(b) General Assembly resolution 56/246:

(i) Information regarding the implementation rate of the recommendations of the previous three reporting periods (see A/68/337 (Part I)/Add.1);

(ii) Information regarding the impact of the reorganization of OIOS on its work;

(iii) Reporting separately on those recommendations that have been implemented, those that are in the process of being implemented and those for which no implementation process is under way, and the reasons for their non-implementation (see A/68/337 (Part I)/Add.1);

(c) General Assembly resolutions 57/292 and 60/282: reporting on oversight activities conducted throughout the phases of the capital master plan project in the context of the annual reports of OIOS;

(d) General Assembly resolutions 59/270 and 59/271: provision of internal oversight of the entire claims process of the United Nations Compensation Commission and reporting regularly thereon in the context of the annual reports of OIOS;

(e) General Assembly resolution 59/272: the requirement that annual reports contain titles and brief summaries of all reports of OIOS issued during the year (see A/68/337 (Part I)/Add.1);

(f) General Assembly resolution 62/87: the request that OIOS ensure effective audit coverage of the capital master plan and submit to the General Assembly all its reports related to its implementation;

(g) General Assembly resolution 63/263: the request that OIOS ensure effective audit coverage of the construction of additional office facilities at the

Economic Commission for Africa in Addis Ababa and the United Nations Office at Nairobi;

(h) General Assembly resolution 66/236: encourages OIOS to continue to identify in its analysis in future annual reports general trends and strategic challenges over time regarding internal oversight in the United Nations, including an update on all critical recommendations and taking into account the risk category and the target date for implementation and the office concerned that is to be held accountable for such implementation;

(i) General Assembly resolution 67/258: encourages OIOS, in future annual reports, to further enhance its analysis of general trends and strategic challenges regarding internal oversight in the United Nations and to include an update of all critical recommendations, taking into account the risk category, the target date for implementation and the office to be held accountable for such implementation.